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Picking tea, India.

- Multi-Fiber Pact Renewal
- Problems Beset Manmade Fibers

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The short-term outlook for the Indian tea industry is bright, as both domestic and foreign demand are expected to remain strong. The U.S. Agricultural Attaché's annual situation report on tea and other Indian commodities begins on page 10.

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Textile Producing Countries Divided Over MFA Renewal

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An inundation of imported textiles into developed countries from developing nations, combined with the world textile recession that set in 3 years ago, is providing a severe test for the international Multi-Fiber Arrangement (MFA) that comes up for renewal in 1977.

While the United States is pressing for renewal of the MFA without change, some of the other importing countries—particularly those of the European Community (EC)—insist that some modifications should be made.

History of the MFA dates back to the early 1960's, when it became apparent that world trade in cotton textiles needed special rules—apart from the general ones applying to all commodities provided by the General Agreement on Tariffs and Trade (GATT).

On one hand, low-cost suppliers of cotton textiles frequently found their access to major markets cut off by quotas. On the other, countries with established textile industries felt the need to protect their domestic markets against disruption by imports or felt that the burden of accepting textile imports from developing countries was not being equitably shared.

This situation led to the adoption in 1962 of GATT's Long-Term Arrangement (LTA) on trade in cotton textiles, which remained in force through several renewals until December 1973. This arrangement required member countries to progressively eliminate any restrictions on cotton textile trade that were not in accordance with LTA rules. If restrictions regarding textile trade were imposed, they were to provide for annual growth in quotas.

However, trade in textiles made of fibers other than cotton remained outside the LTA. This became more of a concern in the 1960's and early 1970's when production of manmade fiber textiles and blends rose rapidly. Intense international competition developed between industries in the developed countries and newly established, highly competitive export industries in the Far East.

This led to the LTA being superseded by GATT's Multi-Fiber Arrangement, effective July 1, 1974, and due for expiration on December 31, 1977, unless renewed. Meetings to consider whether to renew the MFA were held in Geneva in late November and early December of last year.

The MFA is a multilateral contract to which 41 countries—accounting for over 90 percent of world trade in textiles—have acceded, including the United States and the EC (considered as one entity). The MFA requires all participants to bring any restrictions they might have on textile imports into line with MFA rules, a process still going on even though the MFA is now 3 years old.

The MFA allows restrictions on textile imports only when a country is experiencing market disruption, under a somewhat tighter definition than in the former agreement on cotton textiles. However, import restrictions may be imposed either by agreement between the importing and exporting countries or unilaterally. Any annual quotas must not be lower than trade during a specified base period, and if quotas remain in force for more than 1 year, they must be enlarged annually by 6 percent.

The MFA also requires more favorable treatment to be given to imports from developing countries, particularly those that are new entrants to the trade sector in question. The MFA also provides for a textiles surveillance body to oversee the implementation of the MFA and to lend its offices in the settlement of disputes.

At the recent talks in Geneva regarding MFA renewal, the U.S. trade delegation pressed for the MFA to be renewed without change, believing that it has operated well, despite the test of a severe economic downturn in 1974 and much of 1975. The United States felt that renewal without change would be the only practicable course if the world

were to continue having international rules on textile trade.

It would be most difficult, the United States felt, to amend the rules in any way that would balance the desire of the less developed countries for increased access to markets against the desire of developed countries for increased protection against imports.

This official position has had the support of the U.S. textile and apparel industries, the textile labor unions, manmade fiber producers, and cotton interests, all of which feel that the MFA provides an umbrella under which nations can negotiate and implement bilateral agreements.

This does not mean that the U.S. groups feel the MFA is perfect. Some contend that restraints on textile imports into the United States sometimes are not applied soon enough, that allowable import levels are sometimes so high that they do not prevent disruption of certain segments of the industry, and that fixed annual growth rates are set without regard to the state of the domestic market.

There has been considerable opposition to renewal of the MFA by the textile and manmade fiber interests in Western Europe, however. Mill consumption of fibers in this group of countries rose from 4.3 million metric tons in 1971 to 4.7 million tons in 1974, but then dropped off to 4.1 million tons in 1975. Mill consumption of cotton declined from 1.4 million to 1.2 million tons during 1971-75. The oil crisis, a general economic recession, loss of export markets, and a rapid increase in textile imports are considered the causes of this dropoff in consumption.

"The MFA . . . requires more favorable treatment to be given to imports from developing countries . . ."

In 1971, imports and exports of textiles were in balance at 700,000 tons each in Western Europe, but by 1975, a negative trade balance of 400,000 tons had developed.

In the United Kingdom, imports of cotton goods—mostly from Pakistan, Hong Kong, India, the People's Republic of China (PRC), and Taiwan—have exceeded domestic production for the past several years.

A similar situation exists elsewhere in Western Europe. Imports of cotton yarn and cloth have increased from 88,000 tons in 1970 to 143,000 tons in 1975 in West Germany. In France, it is claimed that 40 percent of the cotton goods market is now taken by imports, which have doubled in the last 5 years.

Textile and manmade fiber interests in Western Europe say that imports in the last 2 years have surged at a time when the market is stagnating and employment in the textile industry is off by 20 percent from 5 years ago. Recent dumping by some of the state trading countries in Eastern Europe has also been a problem.

As a result, they would like to modify the MFA by reducing the 6 percent annual rise provision—now required in importing countries' quotas—to zero during a period of zero economic growth.

Canada, in a "drastic action to avert a crisis situation in (its) textile and clothing industry" recently took action under Article XIX of GATT, rather than the MFA, to limit imports of clothing into that country to the 1975 level of 192.4 million garments. The Canadian Government said that imports, mostly from Taiwan, Hong Kong, South Korea, and the PRC, had risen to an expected total of 291 million garments in 1976. Earlier, Australia had likewise taken action to limit textile imports. Such moves, the United States believes, were in violation of the spirit of the MFA.

The developing countries, on the other hand, have expressed dissatisfaction with the MFA for other reasons. At the December GATT conference, a spokesman for the developing countries said that the MFA was part of a 15-year control system that violated GATT's concept of eliminating trade restrictions. In addition, it was charged that the quotas were applied in a discriminatory fashion and at times could not be used because of administrative difficulties.

Earlier in the year, the developing countries urged a resolution at the UNCTAD conference, stating "there shall be no prolongation or multiplication of international agreements designed to validate arrangements requiring developing countries to 'voluntarily' restrict their exports as in the case of the arrangements regarding international trade in textiles."

Although there was agreement at the December MFA conference that the Arrangement should be renewed, there was opposition by several importing countries to renewal without change. As the final ruling held there was no consensus, it was agreed that a further meeting on the subject should be held in March.

The United States currently has bilateral agreements—all in conformity with MFA rules—with 18 countries to limit their exports to this country. Twelve former bilateral and four unilateral restraints, however, have been allowed to expire or were phased out.

". . . the U.S. trade delegation pressed for the MFA to be renewed without change, believing that it has operated well . . ."

Agreements currently in force are with Mexico, Haiti, Colombia, Brazil, Japan, Korea, Hong Kong, Macao, Philippines, Malaysia, Taiwan, Singapore, Thailand, India, Pakistan, Egypt, Poland, and Romania. For the most part, these agreements are comprehensive, covering the complete range of textile products made of cotton, wool, and manmade fibers, although some cover only cotton products. Aggregate and group quota levels are fixed with specific restraint levels for particularly sensitive categories.

Although imports of cotton goods into the United States have been subject to regulation for many years, imports have risen from an average of 240,000 bales (480 lb net) on a raw cotton equivalent basis during 1955-59 to a peak of 1.272 million bales in 1972. Thereafter, imports fell off moderately because of the devaluation of the dollar and the textile recession in the United States. In 1976, however, imports resurged, breaking the 1972 record, and cotton imports during the year totaled 1.48 million bales, compared with 1.04 million bales a year earlier.

During January-December 1976, cotton imports supplied about 24 percent of the U.S. market for cotton goods. On the other hand, about 12 percent of the U.S. mill consumption of cotton during this period was exported in the form of textiles. Cotton textile exports

were also at the highest level since 1948, or about 833,000 bales.

Cotton goods entering the United States from other countries consist quantitatively of fabric, 48 percent; apparel, 37 percent; yarn, 5 percent; household items, 10 percent. About three-fourths of cotton textile imports are from the Far East, including 30 percent from Hong Kong, 13 percent from India, 8 percent from Pakistan, 8 percent from the PRC, 6 percent from Taiwan, 5 percent from Korea, and 3 percent from Japan. Another 10 percent of U.S. cotton textile and apparel imports originate in Mexico, Brazil, and Colombia. In all, the United States imports cotton goods from well over 100 countries.

U.S. imports of cotton textiles from all major sources except the PRC are controlled through bilateral agreements. Imports from the PRC peaked in the closing months of 1975, but since last spring have been declining.

Based on an analysis of the growths of cotton used, nearly one-fourth of the imports of cotton textiles into the United States from Hong Kong—the most important source—are probably made of U.S. cotton. About two-thirds of Taiwan's, nearly all of Korea's and over one-third of Japan's shipments are also probably made of U.S. cotton. Imports from most of the other major sources, however, probably have little or no U.S. cotton content.

As with cotton, the tonnage of manmade fiber textiles and apparel entering the United States rose rapidly to a peak in 1972 and then dropped off moderately. But, unlike imports of cotton goods, imports failed to recover completely in 1976, the result of consumer preferences and relatively low manmade fiber prices in the United States. The tonnage is less than for cotton goods, but the yardage is now 50 percent greater because of lighter weight. Imports have shifted significantly from yarn and fabrics to apparel. Imports of the latter were at a record level in 1976.

Over 75 percent of manmade fiber textile imports into the United States are currently from countries with which the United States has bilateral agreements. Japan accounts for 23 percent of imports, Korea and Taiwan for 16 percent each, Hong Kong for 6 percent, and Mexico, 3 percent. Imports from the EC—accounting for 20 percent of the import market—are not controlled. Imports from the PRC, which has very little production of manmade fibers are negligible.

Imports of wool fabrics into the United States in 1976 were running about 60 percent of the level of the 1960's. Most important sources are Hong Kong (20 percent of the total), Korea (11 percent), Japan (8 percent) —all controlled—and the United Kingdom (15 percent), and other West European countries (around 20 percent) —not controlled.

The EC also has import/export agreements with many countries. At one time, the individual countries in the EC had a large number of diverse restrictions on imports of textiles. Now the EC acts on behalf of its member countries in negotiating with supplier countries. The EC program aims to negotiate bilateral agreements with 17 supplying countries and phase out all pre-MFA restrictions on other countries by April 1, 1977.

As of November 1976, the EC had concluded bilateral agreements, conforming with the MFA, with Hong Kong, India, Japan, Mexico, and Pakistan. Bilateral agreements had also been initialed, but not formally signed yet

Manmade Fiber Producers Face Some Tough Problems

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NINETEEN seventy-six was another bleak year for manmade fiber producers both in the United States and abroad. Hopes for higher prices and black ink on the bottom line were not realized for the most part as producers typically continued to lose money, although not as badly as in 1975.

U.S. companies remain among the lowest cost producers in the world. They have large, efficient plants and enjoy a lower average price for oil, because much of their supply is of domestic, price-controlled origin.

Even so, several U.S. producers announced losses on their fiber operations in the third and fourth quarters. Three corporations announced they were leaving the fiber business altogether. Worst hit have been producers of polyester yarn, because of stagnant demand for synthetic knit apparel. Producers of polyester staple, much of which is blended with cotton, have been better off, but suffer from over-capacity and intense competition.

In Western Europe producers of manmade fibers lost $1 billion in 1975 and again lost a smaller, though still large, sum in 1976. In the United Kingdom, the largest rayon producer was closing seven rayon plants in January of this year and the largest synthetic fiber manufacturer was reducing his work force by 30 percent.

Production of manmade fibers in West Germany, although higher than in 1975, was 30,000 metric tons less than the 1973 record. In France, the largest producer lost $187 million on fibers in 1975 and expected to lose $106 million in 1976. In Italy the two largest producers continue to operate in the red. In the Netherlands, the largest concern has dropped 6,000 employees since 1974. Although a number of plants have been closed, most of those remaining are operating on reduced time.

As stated in a European chemical magazine, the problem area for European chemical companies is fibers; the wisdom of a chemical company having only a small involvement in fibers has been amply demonstrated in the last 2 years, according to the article. Overexpansion of capacity, much higher prices for oil, depressed economic conditions in the European textile industry, and rising imports of textiles have caused the principal problems.

In the Far East, the manmade fiber industry slumped in the second half of 1976 after an upward movement until July and has made a number of cuts in production. Nevertheless, the industry hopes to make some profits during the

current fiscal year, although all but one company showed losses in 1975. The industry claims that the price of synthetic fiber in Japan has dropped below the 1975 level, although the price of raw materials, chiefly naphthas, has doubled.

A recent report in the Republic of China states that the Government decided to give loans amounting to $100 million to enable the manmade fiber industry to cut production and fix standard prices. In India, sales of manmade fiber rose by 95 percent in 1975/76, but profits sagged by 28 percent owing to the rising cost of raw materials and higher income taxes.

World synthetic fiber capacity continues to show some expansion, although the rate of increase has slowed and it is questionable whether much of the capacity will ever be actually built since the industry is now deficit-ridden. At the beginning of 1976, only 69 percent of the capacity was being utilized, compared to 85 percent 2 years earlier.

Overcapacity is endemic all over the world. Industry figures state, however, that world capacity rose from 9.0 million tons in March 1974 to 10.8 million in March 1976, and that a further gain to 12.2 million is in prospect for December 1977.

The United States remains the largest synthetic fiber entity in the world, accounting for 33 percent of world production in 1975. Western Europe accounts for another 30 percent and Japan for 13 percent. Announced expansion of capacity in both Western Europe and the United States has been proceeding somewhat below the world average, while in Japan it has come to a virtual standstill.

In Latin America, with less than 10 percent of world production, capacity rose 30 percent in the last 2 years with another 30 percent planned for the end of 1977. The USSR, where the emphasis is on natural fibers, is expanding its synthetic fiber industry at well below the world average rate.

It is in the "other countries" category, notably the Republic of China and South Korea, both highly important markets for U.S. cotton, that the most rapid expansion is taking place. Capacity rose by 80 percent in the last 2 years and is slated to go up another 36 percent by December 1977—if the industry does not continue to have problems.

Reportedly, continuous filament yarn—which has been badly hit by the declining popularity of double knits—rather than staple fiber, has been particularly hard hit by the world textile recession. Statistical evidence indicates, however, that the percentage of unutilized capacity worldwide for staple fiber has been, if anything, greater than the percentage for continuous filament yarn.

Worldwide, cotton continues to be more important as a textile fiber than in the United States. In 1976, 51 percent of the world's mill consumption of fibers was cotton, about the same as in 1973. In contrast, wool accounted for 5.4 percent, rayon 12.1 percent, and the other manmade fibers, 31.5 percent (preliminary). In the United States and Western Europe, cotton's percentage of mill consumption is only around 30 percent. By contrast, in India, cotton's percentage is 88; in the Communist countries, 68; in Pakistan, 93; in Turkey, 74; and in Japan, 35 percent.

What is happening to prices? In the United Kingdom, polyester staple fiber has been selling for US$1.23 per kilogram, only slightly higher than the domestic U.S. price. Although the price rose 8 pence per kilogram in 1976, the price in U.S. cents has declined because of the devaluation of the pound sterling. In Continental Western Europe generally, the polyester price was around $1.10 to $1.23 per kilogram in November and December. In contrast, the mid-January price for U.S. SLM 1 1/16" cotton was around $1.65 c.i.f.

In Japan, the quotation for polyester is around $1.30 per kilogram; U.S. cotton was around $1.59 c.i.f. on January 13. In the United States the price for polyester staple has been around $1.17 per kilogram and although a rise to $1.28-$1.32 was announced for the new year, large textile manufacturers were still buying at the old price in the first quarter while the price for SLM 1 1/16" delivered to the mills was $1.52 per kilogram on January 13.

These quotations are for domestically produced polyester fiber sold to domestic mills. In the last several months, however, there have been recurring stories of Far Eastern—and U.S.—producers selling at considerably lower prices for export, specifically in the 88 cents to $1.10 per kilogram price range. Sales have been reported to India at $1.06 per kilogram and to the People's Republic of China at 89-92 cents.

Will producers of polyester fiber raise their prices and thus relieve some of the pressure on cotton prices? The industry has tried several times to stabilize or raise prices in the last 2 years without success. Recently, leading manufacturers in both Europe and other companies in the United States have again announced price increases, but it remains to be seen whether they can sustain them. Obviously, the price of cotton is not now holding down the price of polyester fiber.

The problems are what is termed "ruinous competition" among producers—all with problems of overcapacity—and competition in many countries from foreign producers not only of yarn and staple fiber but of textiles and apparel.

It would be reasonable to suppose that in the years ahead enough companies could be driven out of the manmade fiber business so that those left could command somewhat higher prices. It appears unlikely in the foreseeable future, however, that the price of polyester fiber will again be double the price of cotton as it once was.

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with Brazil, Colombia, Egypt, Korea, Macao, Malaysia, Singapore, and Yugoslavia. These agreements typically provide restrictions on shipments of specific items to specific EC countries.

In addition, there are some unilateral restrictions on imports from other countries and on yarn into the United Kingdom from Spain. Former restrictions on imports of textiles from El Salvador, Ghana, Jamaica, Philippines, and Trinidad have either been terminated or liberalized. Greece and Turkey are now associate members of the EC and there are no restrictions on imports from these countries. Also, the EC does not have bilateral agreements with a number of African and Caribbean countries with which it is associated politically by treaties.

Many cotton-producing developing countries, including Brazil, Peru, Colombia, Guatemala, Turkey, Syria, Egypt, Greece, India, and Pakistan, now have policies favoring processing of cotton domestically and exporting textiles, rather than raw cotton. Brazil, for example, exported nearly 400,000 bales as textiles in 1975/76, exceeding the 367,000 bales exported in raw form.

The EC and Its Special Third-Country Partnerships

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In the last two issues, Foreign Agriculture looked at the European Community's special trade arrangements with the Lomé-Convention and Mediterranean nations. This week, in the final article of the series, it reviews EC arrangements with the rest of the world, ranging from the European Free Trade Association to New Zealand and India.

The European Community—in addition to its agreements with the countries of the Lomé Convention and of the Mediterranean region—has signed treaties of varying scope with numerous other countries. Indeed, the United States, Japan, Australia, and a few other nations are the exceptions to the EC system of trade preferences that today extends worldwide. A few of these agreements are very limited and nonpreferential. Others focus on industrial rather than agricultural products. But nearly all reflect some benefits that the United States does not enjoy.

Areas and countries outside the Lomé-Convention and Mediterranean nations having agreements with the Community include the European Free Trade Association, Canada, New Zealand, Yugoslavia, Mexico, Argentina, and India. In addition, the EC offers a number of special concessions to developing countries under its Generalized System of Preferences.

Agreements with developed countries

European Free Trade Association (EFTA). This organization, formed July 1, 1960, initially included the United Kingdom, Denmark, Austria, Norway, Portugal, Sweden, and Switzerland. Finland became an associate member in 1961, and Iceland joined as a full member in 1970.

Concerned that the EC's Common External Tariff (CXT) would adversely affect their own trading interests, the EFTA countries set up their own industrial free trade area, with certain measures to encourage trade in processed agricultural products. Virtually all tariffs on industrial trade among the EFTA members were eliminated by 1970, but tariffs on trade with non-EFTA countries were not affected.

When the United Kingdom and Denmark left EFTA to join the EC, effective January 1, 1973, the remaining EFTA countries decided to retain their free trade association. In addition, during 1972 and 1973, each remaining EFTA country entered into a bilateral free-trade agreement with the EC. All these treaties, though technically bilateral, are basically identical and contain a core of major common measures.

The gradual dismantling of industrial tariffs between the EC-9 and EFTA is called for in these agreements. For most goods and countries, this tariff elimination will be completed by July 1, 1977, and as of that date the EC-9 and the seven EFTA countries will be joined in a single industrial free-trade area.

Never before in the long history of Europe has a similar arrangement extended over the entire area covered by the EC-EFTA countries. The achievement is even more remarkable in light of the centuries-old disputes and fratricidal wars that characterized relations among most of these nations until only 3 decades ago.

U.S. policies since the end of World War II have been instrumental in helping bring about closer economic relations in Europe. In the long run, all Western nations and the rest of the world stand to gain, politically as well as economically, from the process of European economic cooperation. But, while favoring European integration on principle, the United States has been—and continues to be—strongly opposed to measures that under the guise of economic integration and cooperation discriminate against legitimate commercial interests of third countries, including the United States.

The EC-EFTA countries have pledged themselves to the harmonious development of their agricultural trade, as far as is compatible with agricultural policies. But, in general, trade in unprocessed farm products is not regulated by the EC-EFTA agreements.

The few minor exceptions to this include reduction or elimination of duties on EC imports of certain fruits, vegetables, and plants from Portugal (including tomatoes during January and February), as well as a quota with preferential tariffs for imports of certain breeds of Austrian cattle. Also, favorable terms are granted to Finland for sales of its eggs and dairy products to the United Kingdom, Ireland, and Denmark.

EC farm imports from EFTA are just above $1 billion per year. Hides and skins are the major group of products, accounting for 16 percent of the EC farm purchases from EFTA. Dairy products and eggs are next, with

14 percent, followed by animal feed, with 11 percent. In 1973-75 EC imports from EFTA averaged $89.8 million for fruits, vegetables, and their preparations; $52.8 million for grains and preparations; and $16.4 million for unmanufactured tobacco (transshipped).

Concerning processed foodstuffs, the EC-EFTA countries have agreed to competition on equal terms in each other's markets. The price of processed foodstuffs consists of two basic elements—the agricultural raw material and the industrial costs. Nearly all protective duties on the industrial elements will be eliminated by July 1, 1977 (or January 1980 in the case of Iceland). Protection will continue, however, for the agricultural component of the product.

Protocol No. 2 of each of the bilateral EC-EFTA agreements contains an identical list of the processed food products involved and of the reduced EC import charges applicable after June 30, 1977. Separate lists of products and tariffs have been drawn up for imports from the EC into each of the EFTA countries.

EFFECTIVE JULY 1, 1977, EC imports from EFTA of products such as baby foods, pasta (including canned macaroni and macaroni products), bakery wares, breakfast cereals, soups, and soft drinks will be subject only to the variable levy; the ad valorem portion of the import charge, which varied from 8 percent for breakfast cereals to 18 percent for some soups, will be eliminated. The duty on beer will be lowered from 24 to 10 percent; that on vermouth and similar wines will be eliminated.

The duty on tomato concentrates (paste) from Portugal is 30 percent of the normal duty applicable to third countries, provided that Portugal limits its exports to a certain quantity, as determined annually. Last September, Portugal received better tariff terms—with cuts of 50 to 60 percent—on certain bottled and bulk wines, as well as on some relatively minor products such as preserved cucumbers and cauliflowers, hot peppers, and green peppers.

As already noted, the bilateral agreement of each EFTA country with the EC includes a list—separate for each EFTA member—of that country's concessions on farm imports from the EC. As part of these concessions, by January 1, 1978, Norway will reduce its duty by 50 percent on a variety of EC products, including apples, pears, peaches, strawberries, plums, lettuce, cucumbers, spinach, cauliflower, cut flowers, and specified bulbs and live plants. Sweden will lower or eliminate duties on breakfast cereals and bakery products, abolish the duty on wines, and cut in half the duty on peaches and grapes; Switzerland will reduce the duty on yogurts; and Austria will lower the tariff on chocolate and chocolate goods.

Portugal has agreed to take measures to maintain or increase the Community's share in the Portuguese market for a number of commodities, including beef, pork, dairy products, and grain.

In the near future, Portugal will apply for membership in the EC. However, no timetable has been established for setting in motion negotiations on membership. It is generally felt that the EC will respond favorably, in spite of the many economic problems posed by the further expansion of the EC to more south-European countries. Admission will probably be postponed, however, until after the EC has solved—at least in part—its internal problems of floating currencies and internal taxes or subsidies on agricultural trade.

Major U.S. farm exports to Portugal—corn, soybeans, and soybean products—should continue at a high level, even if Portugal joins the EC, but they would be somewhat impaired by the EC Common Agricultural Policy. Exports of U.S. horticultural crops and processed foods would face increased competition from Portugal in the EC.

Canada. EC farm imports from Canada now total around $1 billion per year. Grain (mostly wheat) accounts for about two-thirds of the total. Other principal imports are oilseeds and their products (mostly soybeans and soybean meal but also rapeseed) and tobacco.

A framework agreement for commercial and economic cooperation was signed by Canada and the EC in July 1976. The agreement is nonpreferential and should have minimal, if any, immediate impact on EC-Canadian farm trade. (See "U.S.-Canada Trade to Suffer Little from Canada-EC Pact" in the November 15, 1976, issue of *Foreign Agriculture*.)

Among the agreement's principal objectives are the development of joint Canadian-European enterprises, and the opening up of new sources of supply and markets. The initiative for the cooperation pact was taken by Canada.

The agreement, which is intended to be evolutive, could in the longer run be used to stabilize EC markets for Canada's natural resources and agricultural products such as oilseeds and feedgrain, as well as to guarantee EC access to Canadian natural resources and agricultural production. However, arrangements of this type are not within the present scope of the framework agreement.

From the time the United Kingdom and Ireland joined the EC, Commonwealth preferences for Canadian goods in those markets began to be phased out, and all remaining preferences are to be eliminated by July 1, 1977.

Independently of their July 1976 pact, the

Top: Argentine worker prepares meat for export. Above: One of Portugal's many wine-grape vineyards. The entrance of Argentine meat, Portuguese wine, and other specified agricultural products into the EC is facilitated by agreements between the EC and certain supplying countries.

EC and Canada reached agreement in March 1975 on a package of EC trade concessions to compensate Canada for losses or impairment of GATT tariff rights, arising out of the accession into the EC of the United Kingdom and Ireland as well as Denmark. The EC has also negotiated compensatory arrangements with a number of other countries, including the United States.

The arrangements with Canada involve concessions covering more than $250 million worth of Canadian exports of agricultural, fisheries, and forestry products to the enlarged EC. The EC has granted a reduction of the levy on cheddar cheese from 112 to 15 units of account (u.a.) per hundred kilograms. Though formally applied on a most-favored-nation basis, the reduced levy is intended to be for Canadian cheddar only, since only the Canadian product is able to meet the tariff's specifications.

Tariff reductions have also been granted for Canadian pork offals.

Concerning wheat and barley, the EC and Canada agreed to continue discussions through multilateral international negotiations. The United Kingdom has formally stated its desire for some liberalization by the EC of imports of hard wheat from North America into the United Kingdom. So far, however, no progress has been made toward liberalization.

New Zealand. Principal EC farm imports from New Zealand are lamb and other meat (an average of $340 million per year in 1973-75), wool ($253 million), and dairy products ($147 million).

As in the case of other Commonwealth countries most of New Zealand's farm exports to the EC will suffer from the alignment of the U.K. and Irish tariffs with the CXT of the EC.

However, the United Kingdom has won agreement from its EC partners on some concessions to New Zealand's dairy products, in spite of the Community's large surplus of dairy products. For 1973-77, New Zealand has received annual quotas for its exports of butter and cheese to the United Kingdom.

The 1977 quota is 138,176 tons for butter, and 15,240 for cheese. The quota for cheese will be terminated after 1977, but quotas for butter will be continued through 1980. The amounts will be 125,000 tons for 1978; 120,000 for 1979; and 115,000 for 1980. Conditions for market access after 1980 are still to be determined and have caused considerable dispute within the EC.

Butter imported into the United Kingdom under this arrangement cannot be reexported either to other members of the Community or to third countries. Special pricing arrangements and import levies apply.

Other developed countries. EC farm imports from Australia, South Africa, and Japan total almost $2 billion per year and originate mainly from the first two countries. The principal imports are wool, fruits and vegetables, meat, and hides and skins. The EC has no treaty with any of these three countries, but holds separate high-level consultations with Australia and Japan, primarily to exchange information on each other's trade interests. Australia does not intend to seek a formal relationship with the Community at this time. Recent talks with Japan have been devoted largely to finding ways to expand EC exports to Japan. Tobacco and tobacco products and foodstuffs are among the products that the EC would like to export in greater amounts. The Japanese Government will conduct a study on ways to increase food imports from the EC and lower import tariffs.

Other agreements

Eastern Europe and Soviet Union. The first trade agreement between the EC and a Communist country was signed with Yugoslavia in 1970. This agreement was renewed in 1973 for 5 more years. Nominally, this is a nonpreferential agreement, but special provisions restrict the amount of EC levy applicable to imports of certain kinds of Yugoslav baby beef. The agreement is currently being extended to cover industrial, financial, and technical cooperation.

Yugoslavia also is eligible for the EC Generalized System of Preferences (see below).

The Council for Economic Mutual Assistance, an organization which includes Eastern Europe and the Soviet Union—but not Yugoslavia—has proposed a framework cooperation agreement between itself and the Community. The EC is in favor of opening negotiations but wishes to leave trade matters out of any prospective arrangement. In trade matters the EC prefers to deal directly with the individual countries involved.

Generalized System of Preference (GSP). All major developed countries and some Communist nations have set up their own separate system of generalized, nonreciprocal preferences for specified goods from developing countries, as a result of UNCTAD commitments.

The Community's GSP was introduced in 1971. Under the EC's system, virtually all industrial goods from eligible countries enter duty-free—up to certain amounts. Specified processed or semiprocessed agricultural products receive partial—and in a few cases total—exemption from customs charges, generally with no quantitative restrictions. However, in the case of "sensitive" products, amounts eligible for the GSP are subject to quotas. Unmanufactured tobacco of the Virginia type, canned pineapple, cocoa butter, and instant coffee are among the products in this group.

Before the start of each calendar year, the Community announces the GSP concessions it will grant during the upcoming year. Usually, the margin of preference and the number of eligible products and/or countries increases each year, but occasionally a few products are taken off the list or receive a smaller margin of preference.

In the agricultural sector, nearly 300 products—most of them processed—with a potential import value of 1.2 billion u.a. are covered by the Community's 1977 GSP, compared with 250 products at 1 billion u.a. in 1976. More than 100 countries are eligible. However, since the African-Caribbean-Pacific (ACP) and the Mediterranean countries already receive preferential treatment, often more favorable than that given under the GSP, the latter affects primarily the developing countries not covered by the ACP and Mediterranean agreements.

The 1977 GSP incorporates the Community's offer on tropical products, coffee, and tea made in April 1976 at the Geneva Multilateral Trade Negotiations (MTN). The 1977 system includes 46 new agricultural products and greater tariff reductions for 70 products already included in the GSP.

Under the 1977 system, the quota for Virginia-type tobacco has been increased from 38,000 to 60,000 tons and a quota is provided for imports of up to 2,500 tons of other types of unmanufactured tobacco. The quota for preserved pineapple other than slices has been increased from 30,000 to 45,000 tons, while a new quota of up to 28,000 tons has been opened for preserved sliced pineapple.

Other products receiving new or additional concessions in 1977 include palm nut and coconut oils, spices, cut flowers, honey, cocoa, and coffee. The tariff on tea (except tea in containers of less than 3 kg) will remain suspended. Permanent elimination of the duty on tea in bulk is part of the EC's MTN offer on tropical products.

India. The Community has a formal pledge to expand trade with the Asian members of the Commonwealth, in order to compensate them for losses resulting from the United Kingdom's accession to the EC.

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Mexico Tries To Boost Pineapple Exports

MEXICO IS SEEKING to increase at-home consumption and export sales of canned pineapple by granting a duty exemption and sponsoring a vigorous domestic promotion campaign.

The export exemption removed a 6.5 percent ad valorem duty on canned pineapple levied against an officially fixed price of 8.50 pesos per kilogram. (Prior to Aug. 31, 1976, when the peso was effectively devalued, Mex$12.50 was equal to US$1.) The Government also instituted a 9 percent ad valorem tax on fresh pineapple, based on a 4.20 pesos per kilogram selling price. Exports of fresh pineapple had been duty free prior to Mexico's recent peso devaluations.

To boost pineapple output, the Government plans to promote the planting of 6,000 hectares in the Jalapa area of Veracruz, a region said to produce high-quality pineapple. The two-step project calls for the immediate planting of 3,000 hectares, with the possibility of an equal amount being planted later.

The project is being instituted for ejidatarios and other small farmers of the area, who are financed by Government and private loans, and who will receive technical assistance, as well as other incentives to encourage the production of processing pineapple. (An ejidatario is a farmer who received land in Mexico's land reform program.)

Because of good weather conditions and improved growing methods, production in 1976 reached 300,000 metric tons, 15 percent greater than the 262,000 tons of the previous year.

Area harvested in 1976 was 8,600 hectares, slightly larger than the 8,375 hectares harvested a year earlier. Oaxaca continues to be Mexico's leading pineapple producing State, followed by Veracruz. Harvesting season is from November through April.

Some 70,000 tons of pineapple were processed in 1976, reflecting a 15 percent increase over the 60,000 tons processed in 1975. Incentive for the boost was the higher prices paid to producers in 1975.

By far the largest pineapple processor is a firm known as Complejo Fruiticola, followed by Productos Loma Bonita, and several smaller firms. In the first quarter of 1976, cannery yields were 12 cases (24 size 2½ cans) per metric ton of fresh fruit; in the second quarter it had fallen to 4-7 cases.

Exports of processed pineapple in 1976 are estimated at roughly 18,000 tons versus 15,000 tons in 1975, a rise largely resulting from stronger demand and higher prices on the international market. Most of Mexico's shipments last year probably went to the United States, Spain, and Argentina, although by-country data are not available.

Exports of fresh pineapple in 1975 amounted to about 17,000 tons, virtually all to the United States. Exports in 1976 are running at about the same level.

Domestic consumption of processed pineapple last year is placed at 9,000 tons, up slightly from 1975's estimated 8,600 tons. Since Mexican consumers prefer fresh pineapple over canned, the growth of domestic processed pineapple sales depends on the amount of fresh fruit available and the relative prices of the two. In early November, size 2½ canned pineapple was selling in a Mexico City supermarket at 10.55 pesos and fresh pineapple at about 5 pesos each.

Mexico also produces other tropical fruits for the domestic market. In 1976, output of selected tropical fruits in thousands of tons, were: Mangoes, 375.7; papayas, 183.2; avocados, 312.3; and guavas, 189.1.

—Based on report from
Office of U.S. Agricultural Attaché
Mexico City

Colombian Importers Try U.S. Poultry Meat

Colombian tradesmen and Government officials were introduced to U.S. specialty poultry products at an invitational luncheon sponsored by the U.S. Agricultural Attaché in Bogotá late last year.

Some 120 members of the Colombian restaurant, hotel, food service, tourist, and supermarket/delicatessen trade, as well as some officials of the Government were invited to the luncheon sponsored by U.S. Agricultural Attaché Alfred E. Persi in late November.

The 70 guests sampled such processed poultry products as U.S. turkey breasts, turkey rolls, turkey salami, and turkey pastrami, items generally unknown in Colombia. Several trade offers were discussed, and some of these products may soon be available on Bogotá market shelves.

U.S. Agricultural Attaché Alfred Persi (far right) recently gave a luncheon in Bogotá to introduce members of the trade to high-quality U.S. poultry products. Left to right: Mrs. Persi; Guillermo Alarcón; Norman Tucker, who represented the Shenandoah Valley Poultry Co., a major U.S. supplier of further-processed items; and Gabriel Camargo. Mr. Alarcón and Mr. Camargo plan to import some of the products.

INDIA'S 1977 FARM OUTPUT SEEN LESS THAN 1976'S

THE OUTLOOK FOR India's 1977 agricultural situation once again amply demonstrates the extent to which the vagaries of weather continue to dominate Indian agriculture. Total farm output during 1976/77 is expected to be 5-6 percent below the record production of 1975/76, the result of only a better-than-average monsoon rain, in contrast with the outstanding one of 1975.

The Office of the U.S. Agricultural Attaché in New Delhi estimates India's foodgrain production in 1976/77 (July-June) to be between 107 million and 111 million metric tons—8-11 percent below the record 120.8 million tons produced last year. Current estimates for 1976/77 also indicate substantial declines in the production of oilseeds, but some gains in the production of cotton and sugarcane. Substantial increases are expected in jute, kenaf (mesta), and coffee production.

Lower production figures reflect a less timely and evenly distributed 1976 southwest monsoon, which brought drought to some states and localized floods to others. The erratic nature of last summer's monsoon also blunted Government attempts to popularize the use of fertilizer in some districts.

The monsoon's sudden and early withdrawal in mid-September also adversely affected *kharif* (fall and winter harvested) crops and reduced prospects for *rabi* (spring and early summer harvested) production.

Tardy and/or deficient snowfall in some of the northern mountainous states also does not augur well for increasing foodgrain production.

As a result of last year's record production, India has reached an unprecedented—and barely manageable—buildup in foodgrain stocks that reportedly totaled 18 million tons on December 31, 1976.

Although 1976/77 foodgrain production will decline from that of the previous crop year, the amount of foodgrain stocks will serve to restrain imports in calendar 1977. Decisions on imports of agricultural products will be influenced primarily by the outcome of wheat and rice crops in 1977, the trend in international prices, and the Government's decision with respect to a minimum core reserve—now being considered in terms of 12 million tons.

Some nominal arrivals of foodgrains will spill over into 1977 from earlier contracts, but new purchases are unlikely in the near future. Total foodgrain imports in calendar 1977, therefore, will probably range between 500,000 and 1 million tons, compared with 6.5 million tons in calendar 1976. Lack of food grain storage capacity will be a deterring factor affecting these imports.

The United States continued to be India's largest agricultural foreign trade partner in 1975/76, accounting for about 13 percent of India's exports and 25 percent of its imports. Japan—taking 11 percent of India's exports and supplying 7 percent of imports—replaced the USSR as India's second largest foreign trade partner. Other important export/import markets in 1975/76 were Iran, the USSR, and the United Kingdom.

India has been a leading commercial market for U.S. wheat for several years. Imports of U.S. wheat during calendar 1976 totaled approximately 4 million tons—valued at roughly $570 million. In addition to wheat, India also imported 534,000 tons of sorghum and 95,400 tons of rice from the United States during 1976 for a total value of approximately $110 million.

Indian imports of agricultural commodities accounted for about 29 percent of total imports during fiscal 1975/76. Principal imports included cereals, raw cashew nuts, raw cotton, wool, and vegetable oils. The Government of India continues seeking ways to eliminate virtually all imports of nonessential items and to restrict imports of items domestically produced without unduly raising costs to consumers or sacrificing quality.

A review of major agricultural commodities:

Foodgrains. As previously mentioned, this year's foodgrain production is not likely to equal that of 1975/76, when both rice and wheat production established new records, primarily because of an exceptionally favorable rainfall pattern. Also contributing were increased use of nitrogenous fertilizers, high-yielding varieties of seeds, and greater availability of electric power.

This past summer's monsoon rain, being somewhat less than optimal, affected this year's *kharif* and *rabi* crops. Production of 1976 *kharif* foodgrains dropped to an estimated 65 million-68 million tons, compared with 74.2 million in 1975. Most of the shortfall is accounted for by lowered expected outturn of rice.

The Office of the U.S. Agricultural Attaché indicates 1977 *rabi* foodgrain output may fall in the range of 42 million-43 million tons, compared with 46.6 million in 1976, owing to early withdrawal of the summer monsoon and continued dry weather from mid-September through December over most of the country.

The Government of India is continuing its policy of procurement of foodgrains at officially fixed prices to serve as a price support to farmers and to meet its obligation of providing foodgrains to some sections of the Indian population. Domestic procurement of wheat during the current *rabi* marketing season of 1976/77 (April-March), reached 6.6 million tons as of mid-December, compared with 4.02 million tons procured during the same period last year. The procurement target set for rice during the 1976/77 marketing year (November-October) has been set at 4.4 million tons, compared with actual procurement of over 6.2 million tons during the previous season. In the current marketing season, a new rice zone was formed in the south and the one in the north expanded.

Oilseeds and products. India's oilseed and edible oil outlook for 1976/77 appeared very promising through September 1976, but during the final months of the year, prospects dimmed. A combination of early withdrawal of the monsoon rain, late rains during October causing some damage to the harvested peanut crop, and deficient moisture received during November and December all contributed to lower production, shortages, and an upsurge in prices.

The production of major oilseeds in 1976/77 in India is currently estimated at 12.2 million tons, 10 percent less than the record 13.5 million tons produced last year.

Most of the production decrease this season is due to a

shorter peanut crop—estimated at 5.8 million tons—compared with 7.0 million tons in 1975/76. Production estimates for other major oilseeds for 1976/77 (with 1975/76 production in parentheses) are: Sesame—465,000 tons (465,000); rapeseed and mustardseed—1.8 million tons (1.945 million); flaxseed—575,000 tons (621,000); castorseed—225,000 tons (150,000); copra—825,000 tons (886,000); cottonseed—2.34 million tons (2.25 million); and safflower—175,000 tons (209,000).

Owing to continued shortages of edible oils in the country, and in an effort to build up stocks, **India plans large imports of oils in 1976/77. Given the current oil situation, imports of about 400,000 tons of edible oils appear to be a certainty, possibly reaching as much as 500,000 tons.**

Although palm oil is cheaper than soybean oil, the latter may get preference for imports. On February 3, 1977, the U.S. Government announced the signing of a Public Law 480, Title I, agreement with India for the sale of $26 million worth of soybean and/or cottonseed oil—roughly 50,000 tons. About 5,000 tons of copra have been contracted for import and further shipments are likely.

In addition to these imports, about 15,000 tons of tallow are being imported for cottage soap manufacturing units and more will be imported during the year. The industry has asked to be allowed to import at least 40,000 tons.

Of the 50,000 tons of handpicked select peanuts allowed for export by the Government of India so far this season, about 40,000 tons have been registered for export to date. Prospects for exports of castor oil are good, while domestic prices of linseed oil are high and chances for export this year are poor, unless international prices move up or domestic prices come down. Export prospects for peanut meal, linseed cake and meal, cottonseed cake and meal, and rice bran meal however, are quite encouraging for 1977.

Cotton. Best indications are that India's 1976/77 cotton crop will be roughly 5.3 million bales (480 lb net), approximately the same as last year's crop. Earlier in the year, cotton production estimates were higher, but grower dissatisfaction with prices apparently has been responsible for a shift away from cotton in Maharashtra, the only State where the monopoly procurement system is used.

As a result, imports of cotton in 1976/77 are expected to be nearly three times the 180,000 bales imported during 1975/76. In addition, owing to cotton shortages, which lead to higher prices during most of calendar 1976 and early 1977, indications are that growers in other states are likely to plant more cotton in the coming season.

Only 1 year ago, India appeared headed for self-sufficiency in cotton production, but this hope was short-lived. During 1976, the country again became a major cotton importer and in early January 1977, the Government released additional foreign exchange for imports of cotton. Based on current supply and distribution estimates, these imports will be needed to maintain India's textile industry during the coming lean months before next year's crop begins to arrive.

A combination of accumulating cotton stocks, anticipated record crop production, and reduced mill consumption all contributed to a high level of cotton exports during the 1975/76 season—330,000 bales.

Jute and Kenaf. Government and industry officials currently estimate 1976/77 production of jute and kenaf to be between 7.0 million and 7.2 million bales of 180 kilograms each, comprising 5.7 million-5.8 million bales of raw jute and 1.3 million-1.4 million bales of kenaf. This is substantially higher than the total amount of 5.8 million bales of jute and kenaf produced during 1975/76.

The jute/rice price parity index at the time of sowing of the 1976/77 jute crop was in favor of jute, which encouraged farmers to divert more area to this crop.

Although no raw jute imports are currently planned, nominal imports of 100,000 bales could occur during 1976/77. Exports of raw jute are projected at 200,000 bales.

Sugar. Although sugar emerged as India's largest single foreign exchange earner among agricultural exports during fiscal 1975/76, a shortfall in production and the resultant curtailment in sugar exports during calendar 1976 will likely see the volume and value of sugar contributions to 1976/77 export totals drop substantially. In December, the State Trading Corporation suspended entering into any new sugar export contracts.

Available reports indicate that total sugar exports during 1976/77 (April-March) will decline substantially to around 525,000 tons from the 1.2 million tons during the previous marketing season.

Planting of the 1976/77 sugarcane crop occurred under generally favorable weather conditions and the total cane crop is estimated at 145 million tons against the previous year's crop of 143 million tons.

Tobacco. Plantings for the 1976/77 crop occurred under generally satisfactory conditions. Although the spurt in cotton cotton prices in 1976 caused resumption of the trend of earlier years to divert tobacco lands in the black soil districts to cotton, the loss of area due to such diversion was more than made up by additional light soil areas coming under tobacco cultivation.

Current estimates put total output of all types of Indian tobacco during 1976/77 to between 350,000 and 370,000 tons, marginally higher than the 347,000 tons of 1975/76.

Tea. The short-term outlook for the Indian tea industry appears to be bright. Both domestic and foreign demand are expected to remain strong. East European countries—particularly the USSR—are expected to increase their purchases of Indian tea substantially in 1977. The United Kingdom has also shown greater interest in Indian tea.

According to available reports, total Indian tea production during calendar 1976 fell within a range of 500,000 to 505,000 tons, compared with 487,200 tons in 1975.

Coffee. The July 1975 frost in Brazil, last year's earthquakes in Guatemala, continued political unrest in Angola, and the new International Coffee Agreement, which came into effect on October 1, have confronted India with an opportunity to further boost the export of a commodity whose contribution to the economy has recently grown significantly —coffee.

Although production of coffee during the past few seasons has been about average, the industry is booming with heavy exports and high prices. Of the 103,000 tons of coffee expected to be produced in India in 1976/77, roughly 60,000 tons are likely to be exported. This will include 15,000 tons

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World Food Conference: Two Years Later

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CONVENED BY the U.N. General Assembly, the World Food Conference, held in Rome, November 5-16, 1974, was an historic meeting. Unlike previous international meetings held in connection with food and agriculture, the 1974 Conference candidly recognized that the problems to be overcome were less technical than political/economic and that firmer political wills were needed to spur a more rapid increase in food production. Now 2 years later, what have been the results? What progress has been made on the resolutions voted by the delegations?

The Conference agreed on some 20 resolutions that addressed various problems of food and agriculture, particularly as they pertained to the needs of developing countries. The Conference also agreed upon a "Universal Declaration on the Eradication of Hunger and Malnutrition," which embodied the concerns and aspirations of the delegates and put the problem in the context of broader international economic relations. The Declaration and resolutions were adopted by the U.N. General Assembly in December 1974.

The Conference also called for a number of new institutional arrangements to assure more effective followup and to coordinate the many old and new activities. The resolutions agreed upon reflect the efforts of many developing countries to gain greater leverage through the U.N. system and the resistance of many industrialized countries and others to establishing additional international organizations.

While many of the followup actions were recommended to existing international institutions, particularly the U.N. Food and Agriculture Organization (FAO), the Conference called for creation of two new bodies and one new institution: A World Food Council, a Consultative Group on Food Production and Investment, and an International Fund for Agricultural Development.

Of these three, the World Food Council potentially is the most important in terms of agricultural policies, since it is established as the highest international body within the U.N. system on food policy matters. The International Fund for Agricultural Development is the most tangible of the new institutions, providing $1 billion in additional resources that will be channeled through existing international food and agricultural development institutions during its initial funding period. The Fund is expected to become operational in 1977.

"Many specific proposals to increase food production have been substantially realized. Higher national and international priorities have been given to increasing food production."

Resolutions at the Conference dealt with three principal concerns of delegates:

- **Food production.** Governments should give higher priority to policies and programs for increasing food production and improving food utilization. Among actions that should be taken, the Conference cited increased external assistance to developing countries, including fertilizers, more support for agricultural research, farmer cooperatives, incentive prices, and water management programs.
- **Food security.** Food aid policies should include forward planning and commitments, and a target of 10 million tons of grain annually for needy countries. A global information and early warning system should be strengthened, and governments should adhere to the International Undertaking on World Food Security of FAO, which includes provisions on food stock policies.
- **Trade in foodstuffs.** Trade opportunities for developing-country exports should be improved and prices for agricultural exports of these countries should be stabilized.

The World Food Conference took place in the midst of rapidly changing economic relationships between the industrialized and the developing countries, precipitated in part by the successful deployment of economic power by the Organization of Petroleum Exporting Countries (OPEC). Although other developing countries were hurt even more than the industrialized countries by the huge increase in oil prices, many commended the oil cartel because it had demonstrated that a basic shift in the flow of the world's wealth was possible. Many developing countries have sought to use the U.N. system to achieve similar objectives.

While some industrialized countries seemed ready to respond to the demands of the developing countries, most were not. But most were willing to use international forums to exchange views on the demands and to see if adjustments could be made. Hence, there has been considerable progress in establishing the new institutions called for in Conference resolutions, but accomplishments have been uneven.

While the 2 years that have elapsed since the Conference is a short time in which to gage results, it is possible to identify where progress has been made and where difficulties and differences persist.

Increasing food production. Many specific proposals to increase food production have been substantially realized. Higher national and international priorities have been given to increasing food production. This is evidenced by a marked increase in the flow of financial resources—both bilateral and multilateral—for increasing food production in developing countries.

During 1975/76, external-resource flows for food and agricultural projects reached almost $5 billion annually, a target set by the Conference (in 1974 dollars). This is almost double the dollar level in the year before the meeting.

Resources for agricultural research have also increased. The Consultative Group for International Agricultural Research (CGIAR), at its meeting in October 1976, pledged almost $80 million for the coming year, up from $31 million contributed in 1974.

FAO's Fertilizer Scheme continues its operation, but on a limited scale since supplies are now more ample, and prices

lower than in 1973/74. Through the FAO facility, over $100 million worth of subsidized or contributed fertilizer was provided to needy developing countries.

Production of foodstuffs in developing countries, particularly the basic grains, was generally better in 1975 than in the previous 2 years, and 1976 harvests also were good. Even on a per capita basis, food production in developing countries recovered in 1975 and 1976 from depressed levels of 1972-74 to equal the previous high achieved in 1970. Developing countries in Asia recorded the largest gains.

This improved production is probably attributable more to favorable weather, however, than to increased external assistance, which have just begun to enter the production system. Nevertheless, the increased flow of resources, if sustained, will make a difference in the years immediately ahead.

In addition, bilateral and multilateral aid agencies have directed their attention increasingly toward the problems of the poorer countries and the poorer sectors of the population.

Food Security. Here again, the evidence seems positive. Policies and programs among major food exporting countries suggest a willingness to maintain high production to meet both concessional and commercial requirements. There also is a new willingness to build and hold reserve stocks and to consider ways in which stocks might safeguard against serious shortfalls in food crops.

FAO has strengthened its Global Information and Early Warning System, and FAO's proposal on an International Undertaking has received widespread acceptance by governments, including the United States. But the value of both efforts is limited by the fact that the Soviet Union and the People's Republic of China are not participating in either the Undertaking or the Global Information System.

Also in line with Conference recommendations, FAO has established a new Committee on World Food Security, and the Intergovernmental Committee, which provides policy guidance to the World Food Program, has been enlarged and transformed into a Committee on Food Aid Policies and Programs. These two Committees are functioning.

However, developing countries that consistently lack the foreign exchange to pay commercial prices for needed food imports continue to depend on the good will of a few food exporting countries, most notably the United States and, to a lesser extent, Canada and the European Community.

Although the 20-year record of food assistance by these countries might seem to offer adequate security, events of 1973 gave developing countries reason to want greater assurance. In 1973, the unexpected large-scale entry into the grain market by the Soviet Union led to sharply lower stocks of grains and sharply higher prices, and some developing countries were almost squeezed out of commercial and concessional purchases. Also in 1973, oil exporting countries used their control over oil as a political weapon, and the specter was raised that food too could be used for political purposes.

Thus, although objective evidence indicates that stocks are being rebuilt and provisions for food aid are reasonably ample, international institutionalization has not proceeded as far as the developing countries wish, and some of the specific targets called for by the Conference have not been attained.

Increasing trade opportunities. A number of developing countries see increases in trade opportunities as essential to their overall development. Progress on this front has been slow and each grouping of countries (the industrialized and the developing) has been unhappy about the other's efforts in the trade area.

Nevertheless, on trade matters, both the United States and the European Community have made some concessions to developing-country exports and are agreed in principle on special treatment favoring developing countries in the Multilateral Trade Negotiations (MTN). (See the Dec. 13, 1976, and Dec. 27, 1976, issues of *Foreign Agriculture.*)

In 1975, the European Community revised its preferential trade and development agreement with some 40 countries associated with it in a move that increases imports from these developing countries.

The U.S. generalized preference program went into effect January 1, 1976. It allows duty-free entry of around 2,700 items, mostly processed goods from designated developing countries.

In April 1976, the United States and other countries made tariff reduction offers on products of particular interest to developing countries. The U.S. offer was on 147 product categories in which 1974 imports by the United States were almost $1 billion. The United States has sought some reciprocal concessions from the leading suppliers of products concerned.

Still, many developing countries with persistent balance-of-payments problems and levels of debt and with export earnings that seem to stifle attempts at economic development assert the need for a more general improvement in the terms of trade. During 1976, discussions on this fundamental issue were inconclusive at international forums such as the U.N. Conference on Trade and Development (UNCTAD) IV meeting at Nairobi, and the Conference on International Economic Cooperation (CIEC) at Paris.

EC RECOMMENDS HIGHER DAIRY PRICES

As part of its farm price proposals for the 1977/78 marketing year, the European Community Commission has recommended higher dairy prices, subsidies to stimulate dairy consumption, and long-term structural measures to reduce the European Community's chronic dairy surplus.

A two-stage price proposal for 1977/78 calls for no increase in dairy prices (except for butter in the United Kingdom and Ireland) in the first half of the year and a small increase in the second half. A producer "co-responsibility" levy, to be applied from September 16 at the rate of 2.5 percent of the milk price, will cancel all but 0.5 percent of the 3 percent increase in the target price for milk destined for the second half of the marketing year.

To achieve the 3-percent milk price increase, the intervention prices of butter and nonfat dry milk in all Continental EC countries will rise 2.68 and 2.49 percent, respectively, on September 16.

Proceeds from the "co-responsibility" levy will be used to stimulate butter consumption through higher subsidies and promote the sales of liquid milk and other dairy products.

The plan for structural reform of the dairy sector concentrates on reducing the number of small dairy farms through the payment of subsidies for retirement, cow slaughter, and conversion to beef.

ABRAHAM AVIDOR, FAS

Egypt's 1975 Tobacco Imports Set Record; U.S. Sales High

By JOHN B. PARKER, JR.
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THE PENT-UP DEMAND for cigarettes in Egypt is now being satisfied mainly through larger imports of leaf as the result of new policies that allow manufacturers to boost purchases of foreign tobacco. The United States was Egypt's chief tobacco supplier in 1975, with import volume and value second to the record imports from this country in 1966. Egypt's leaf tobacco imports from all sources also reached new highs in volume and value in 1975.

The United States is likely to account for about one-third of Egypt's tobacco imports in 1976, compared with approximately one-fifth in 1975 and only 5 percent in 1974 when diplomatic relations were reestablished with Egypt.

Dollar credit financing through Title I, P.L. 480, has bolstered Egyptian purchases of U.S. tobacco. However, cash sales predominate because usual marketing requirements attached to the P.L. 480 agreement specify that Egypt must buy tobacco on commercial terms (to protect commercial marketings) before resorting to P.L. 480 financing.

Total Egyptian imports of leaf tobacco were 25,677 metric tons in 1975 (of which P.L. 480, Title I, tobacco comprised 4,000 tons), nearly 4,800 tons higher than the previous record in 1973 and 5,600 tons greater than the 1974 total. Value of tobacco imports in calendar 1975 was $41.3 million, a record some $12.5 million higher than the previous year's. The volume estimate for imports in 1976 is 28,000 tons.

Egyptian imports of U.S. tobacco in 1975 were 5,471 tons, compared with the previous high of 7,147 tons in 1966. The value was $8.7 million, compared with $10.6 million.

U.S. data show this country's exports to Egypt were 9,550 tons in fiscal 1976 (ending June 30), up from 5,521 tons in fiscal 1975. The value rose from $14.2 million to $31.4 million. Even greater gains are expected in the volume and value of U.S. exports to Egypt in coming years because of the preference of Egyptian cigarette smokers for U.S.-type tobaccos, and the possibility that Egypt will step up cigarette exports to other Mideastern and North African countries.

During fiscal 1976, U.S. flue-cured tobacco exports to Egypt were valued at $27 million; burley, $3.3 million; and Virginia dark fire-cured tobacco, $612,000.

A new market opened for Maryland leaf when Egypt took $369,000 worth. Sales of dark fire-cured Kentucky/Tennessee tobacco remained at about $106,000, the same as in fiscal 1975.

U.S. exports of cigarettes directly to Egypt have averaged about $2.2 million annually between fiscal years 1974 and 1976, and large additional volumes also were imported from American cigarette distribution centers in European duty-free ports.

Leaf shipments from the United States accounted for most of the increase in Egypt's tobacco imports in 1975, the result of a strong switch from oriental to flue-cured tobacco in cigarettes.

In addition to the sizable imports from the United States, Zambia—No. 2 in terms of volume and value—boosted its sales from 1,389 tons in 1974 to 5,237 in 1975. Imports of tobacco from the People's Republic of China declined from a peak of 3,969 tons in 1973 to about half that in 1975. Imports of Bulgarian tobacco—mostly oriental—fell from a peak of 4,501 tons in 1974 to about 2,500 tons in 1975.

Arrivals of tobacco from Yugoslavia reached 3,762 tons in 1975, up from only 634 tons in 1974. Transshipments to Egypt of flue-cured tobacco from the Italian duty-free ports of Naples and Trieste increased markely in 1975.

Imports of Albanian oriental tobacco exceeded 300 tons in 1974 and again in 1975. Arrivals of tobacco from Turkey in 1975 remained near the 965 tons that had been received in 1974.

Egypt apparently purchased no tobacco in 1975 from some countries that were small suppliers in prior years, including India, Iraq, Hungary, and Romania. Imports of tobacco from the Soviet Union in 1975 were slightly less than the 43 tons received a year earlier.

Egypt's cigarette output increased from 21.4 billion pieces in 1974 to 23.7 billion in 1975. Production in 1976 is estimated at 26 billion pieces, of which about 500 million will be exported—mostly to the Soviet Union. Cigarette exports totaled 715.5 tons in 1973—at least 800 million pieces—valued at $3 million. The Government prefers to limit imports of cigarettes and bolster sales of local brands.

Egyptian smokers are partial to blended filter-tipped cigarettes—a taste that developed during the 1960's, when U.S. deliveries were particularly high. Two such brands, containing a high percentage of U.S. tobacco, account for most of the sales.

Newer brands have come on the market recently, but these also contain a high proportion of U.S. flue-cured and burley tobaccos.

Produced mostly in Cairo, factory-made cigarettes retail for an average of 35 cents per pack, a relatively high price for many Egyptians, particularly those in rural areas, where average incomes are generally lower than they are in urban regions.

OUTPUT of cut tobacco for roll-your-own cigarettes is rising and is expected to reach 2,000 tons in 1975—up from 1,738 tons in 1974, and production of molasses-flavored blends might reach 3,300 tons in 1976.

Output of other tobacco products is relatively small, consisting of 47 tons of chewing tobacco, 22 tons of snuff, 15 tons of special pipe tobacco, and 6 tons of cigars.

The Government imposes a per kilogram duty on imports of leaf tobacco of about $15.50, and this provides a hefty revenue. Collections from customs and excise duties levied on 1976 tobacco imports are likely to exceed $600 million. This is the second largest source of Egypt's revenues; the profits received from State trading agencies involved in cotton exports are in first place. Cotton farmers and cigarette smokers pay a sum large enough to take care of the Government's annual food subsidies of $1.3 billion.

Korea May Cut Imports Of Cotton

COTTON imports into South Korea, the leading market for U.S. cotton in 1975/76, may decline modestly in 1976/77 from the 1 million bales received last season. However, most of these cotton imports again will come from the United States.

South Korean imports of raw cotton in the 1976/77 season (August-July) are projected at about 950,000 bales (480 lb net), with about 900,000 bales expected to come from the United States. If this import level is realized, South Korea will probably be the second largest market—behind Japan—for U.S. raw cotton in 1976/77.

Cotton consumption by Korean mills is expected to increase about 10 percent above the record 895,000 bales used in 1975/76. Although export and domestic demand for Korean textiles remains attractive, mill use of cotton may be limited during the second half of 1976/77 by anticipated tight world cotton supplies and possible difficulties in financing cotton purchases.

Korean cotton mills are reportedly operating near full capacity, with yarn stocks down almost 50 percent compared with the same time last year. At the beginning of 1977, the total pipeline of Korean stocks of cotton represented mill requirements for about 3 months.

The spindleage target for December 1977 is 2,632,840, which would be about a 4 percent rise above the estimated spindleage at the end of calendar 1976. The number of cotton spindles in place as of August 1976 was 1,915,120—about 5 percent more than a year earlier.

Responding to the global resurgence in textile demand and receiving substantial U.S. credit through the Commodity Credit Corporation (CCC), South Korea's cotton imports had ballooned in 1975/76. The country's total raw cotton imports that season were 1,025,000 bales—with 1 million bales from the United States representing a sharp increase of about 40 percent above the 705,000 U.S. bales imported in 1974/75.

Expanded availability of CCC credit played a major role in the trade growth, as it was used to finance about 60 percent of the cotton imported from the United States. In 1974/75, CCC credit was available on about 43 percent of Korea's imports of U.S. raw cotton.

This season, however, less CCC credit will be available. Therefore, in order to maintain textile production, South Korea will have to increase cotton purchases under its own financing mechanisms.

Exports of Korean cotton products in 1975/76 were valued at $430 million, a 91 percent gain over the $225 million from cotton exports during 1974/75.

Meanwhile, South Korea's balance of payments situation has registered a healthy improvement. Yearend estimates indicated that Korea's trade imbalance of $1.6 billion in 1975 could shrivel to only $500 million in 1976.

The general situation of the Korean textile industry improved greatly during 1976. Although rising prices for raw cotton and the uncertainty of CCC credit have caused considerable concern, the industry is encouraged by increased domestic and export demand for cotton textiles.

Domestic policies preclude setting retail prices at a level judged as adequate by the industry. In May 1976, the Government did permit the price of yarn for domestic use to be raised 11 percent. Even then, the spinners and weavers association complained that these prices were still below yarn production costs.

Average c.i.f. prices for raw cotton in the 1975/76 marketing year were slightly below those of 1974/75, which was an especially bad season for Korean cotton mills because average prices for raw cotton ran 40 percent above those of the previous year. But the textile marketing picture brightened considerably during the September 1975-June 1976 period in response to a general global recovery from recessionary trends.

India Agriculture

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directly sold by the Coffee Board to the USSR on December 2, 1976.

Cashews. With sharply reduced imports of raw nuts during calendar 1976 and uncertain import prospects during calendar 1977, the Indian cashew industry is in the doldrums, as domestic cashew production is inadequate to fill export demand. Uncertainty, therefore, hangs over the industry during calendar 1977. Any large-scale imports during the year are ruled out, however, and prices are expected to remain firm for most of the year.

Imports of raw cashews during calendar 1976 are estimated at 75,000 tons, a decline from the 135,815 tons imported in 1975. In view of declining imports—resulting in high domestic prices—production of indigenous nuts has been rising slightly in recent years and is now estimated at 145,000 tons.

Exports of cashew kernels during calendar 1976 were down—estimated at 55,000 tons—compared with slightly over 59,000 tons exported a year before. About 20,500 tons of cashew kernels are estimated to have been shipped to the United States during calendar 1976, while 15,400 tons were sold to the USSR.

Pepper. The 1975/76 pepper season (November-October) ended on a buoyant note, producing 32,000 tons and realizing high export prices. Unsatisfied export demand toward the end of the season, coupled with reduced trade inventories, started the new 1976/77 season with even higher prices.

Although the size of the 1976/77 pepper crop is generally agreed on at around 35,000 tons, arrivals of the new crop have not been enough to make any impact on prices and are quickly absorbed by outstanding export orders.

Total exports during calendar 1976 were 19,000 tons and exports during the coming season are expected to rise slightly to 22,500 tons.

Wool. Export performance—in terms of value—of the Indian wool industry has been most encouraging—in 1975/76 exports reached a record high of Rs. 768 million, compared with Rs. 671 million during 1974/75. The wool industry hopes to achieve an impressive export target of Rs. 1,000 million in 1976/77.

Raw wool production in India during 1976 was estimated at 32,000 tons (greasy basis), compared with the previous year's total of 31,000 tons. With satisfactory feed and fodder supplies in 1976, sheep numbers and wool production are expected to increase in calendar 1977, although no exact forecasts are available.

—Based on a dispatch from
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The EC-Third Country Partnerships

Continued from page 8

An India-EC agreement for commercial cooperation, signed in 1973, is nonpreferential, but India and the EC use "all available instruments" to promote India's exports to the Community.

Tea, jute, tobacco, sugar, and spices are among the Indian products that receive some benefits in the EC.

The EC takes into account India's interests in the operation of the GSP. India is the major beneficiary of the Community's GSP tobacco quota, and within-quota imports pay less than half of the most-favored-nation tariff.

Because of another agreement with India, the EC will eliminate duties on jute and jute products by July 1978, while India will restrict its exports of jute to the EC.

When the India-EC 1973 agreement was signed, the EC tariff on tea—which is of major interest to India—was already suspended and there was no EC duty on either pepper for industrial use or on cardamom. The EC was willing to make these exemptions permanent through a GATT binding. As already noted, the EC's MTN offer, incorporated in the 1977 GSP, includes a zero rate for tea in bulk; the MTN offer also contains a zero tariff on pepper for industrial use, and on cardamom.

Finally, the EC price guarantees for sugar from the ACP countries (see Part I of this series) also apply to sugar from India.

Association of South East Asian Nations (ASEAN). This organization includes Indonesia, Thailand, the Philippines, Malaysia, and Singapore. Its relations with the EC are becoming increasingly active.

Natural rubber is the principal ASEAN agricultural product shipped to the EC, but tropical fruits, fats and oils, oilseeds, and animal feeds are also important.

A joint, consultative EC-ASEAN study group meets periodically to review matters such as application of the Community's GSP to products of interest to ASEAN, and joint ventures for industrial and agricultural development.

The EC and ASEAN may cooperate in the future to develop production of soybeans and other vegetable protein in Indonesia and Thailand, partly for export to the EC, which is interested in diversifying its sources of supply.

Initially, however, EC assistance for soybean production will be limited to soybeans for direct human consumption, rather than for crushing.

Latin America. A large portion of Latin America's farm exports to the Community consists of high-priced products such as coffee, meat, fruits, and oilseeds. Thus, Latin America's share in the value of EC farm imports from third countries is sizable (18 percent), even though the composition of trade is changing. In the past few years, meat sales (mostly from Argentina) have declined, due to EC restrictions, while exports of soybeans from Brazil have soared.

Largely for historical reasons, formal commercial treaties between the EC and Latin America are relatively few and limited in scope.

Back in 1963, however, most of Latin America set up the Latin America Coordinating Committee (CECLA) to coordinate relations with the EC.

Besides dealing with Latin American nations through CECLA, the EC has also concluded bilateral agreements with Mexico, Brazil, Uruguay, and Argentina.

The treaties with Argentina and Uruguay eased their exports of beef to the EC. The agreement with Argentina will expire at the end of 1977. Argentina wants to replace it with a broader economic cooperation agreement, but no date has been set for the start of the negotiations.

The agreement with Brazil provides safeguards for the continuation of Brazil's exports of instant coffee and cocoa butter to the United Kingdom, following the latter's entry into the EC.

The pact with Mexico is a framework agreement for commercial and economic cooperation and provides for mutual granting of most-favored-nation treatment, with some exceptions. The details and specific measures to develop trade and economic cooperation are worked out by a joint committee. The Community has also stated its willingness to take into account the interests of Mexico in extensions of GSP benefits.

Other countries. The Community has sector agreements (such as textile pacts) with several other nations, and general cooperation agreements with Pakistan, Sri Lanka, and Bangladesh. These general agreements are similar to the 1973 agreement with India. Negotiations for an agreement with Iran started last December, but agricultural trade is not likely to be a major concern in this case.

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